

“Wonder Over Worry”

Market Update

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April 2025



Today's Topics

1. General Discussion: “Wonder Over Worry”
2. Markets
3. Economy & Policy
4. Everything Else

Stock Market Pullback – Beneath the Surface

Major indexes and maximum drawdowns				
Index	YTD return	Index return from YTD low	Index maximum drawdown from YTD high	Average member maximum drawdown from YTD high
S&P 500	-4%	3%	-10%	-16%
NASDAQ	-9%	2%	-14%	-36%
Russell 2000	-8%	3%	-14%	-28%
Dow Jones	-1%	3%	-9%	-14%

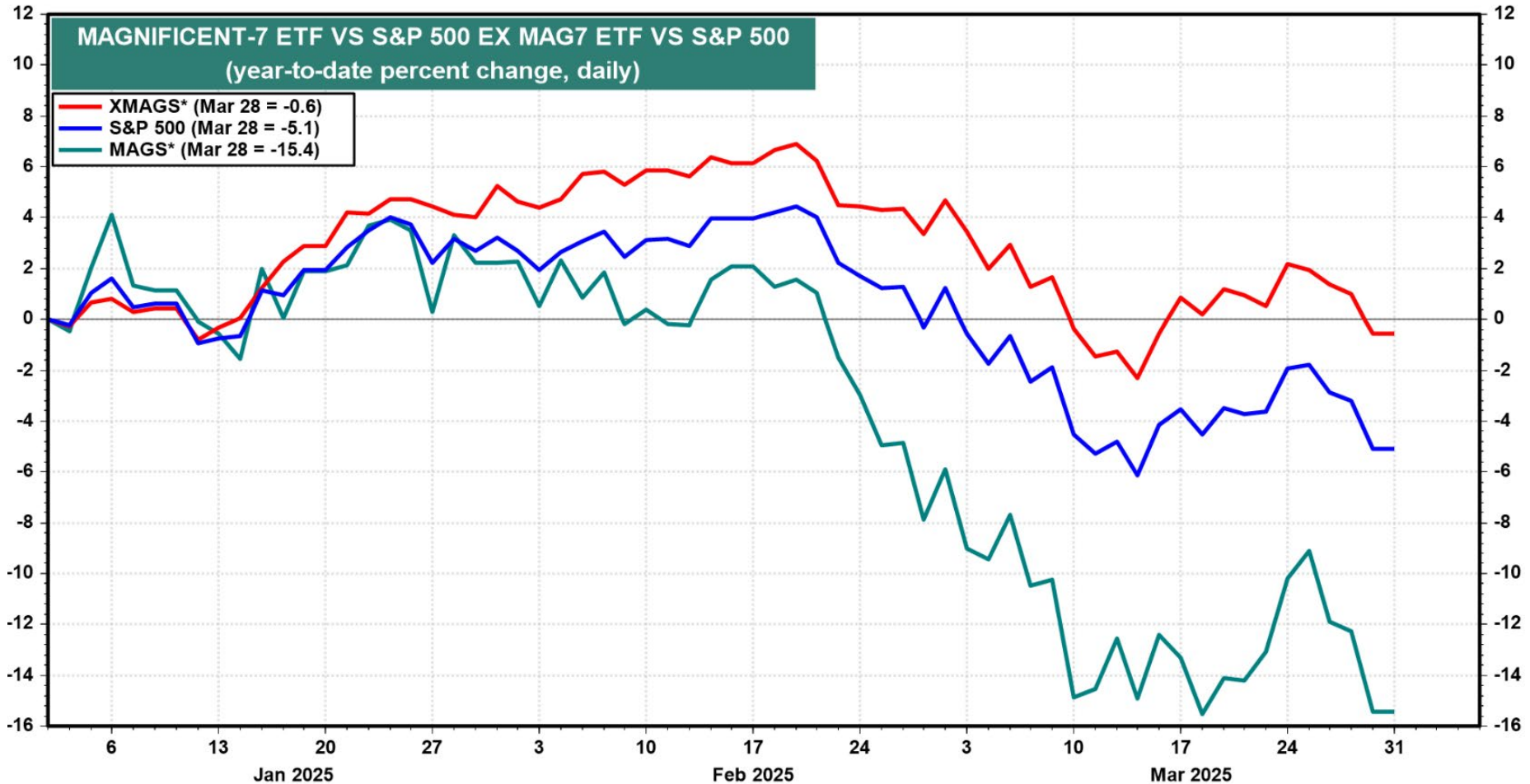
Source: Charles Schwab, Bloomberg, as of 04/02/2025

Year-To-Date Performance – The Less Magnificent 7

Magnificent 7 Performance				
	2024		2025	
	Full year	S&P 500 Ranking	Year-to-date	S&P 500 Ranking
Meta Platforms Inc	65%	24	0%	253
S&P 500	23%	NA	-4%	NA
Microsoft Corp	12%	233	-9%	399
Apple Inc	30%	113	-11%	412
Amazon.com Inc	44%	56	-11%	414
Alphabet Inc	36%	94	-17%	465
NVIDIA Corp	171%	2	-18%	469
Tesla Inc	63%	27	-30%	497

Source: Charles Schwab, Bloomberg, as of 04/02/2025

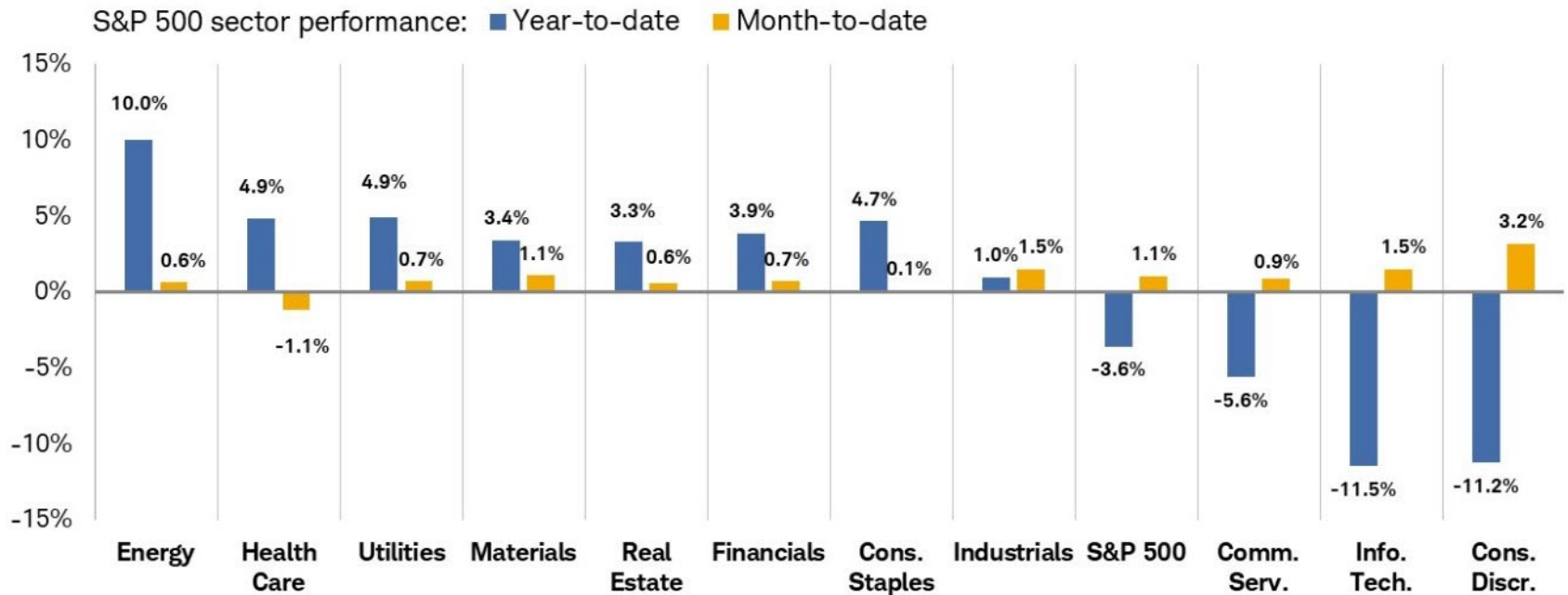
Most Of The Market Is Holding Up



Source: Yardeni Research, as of 03/31/2025

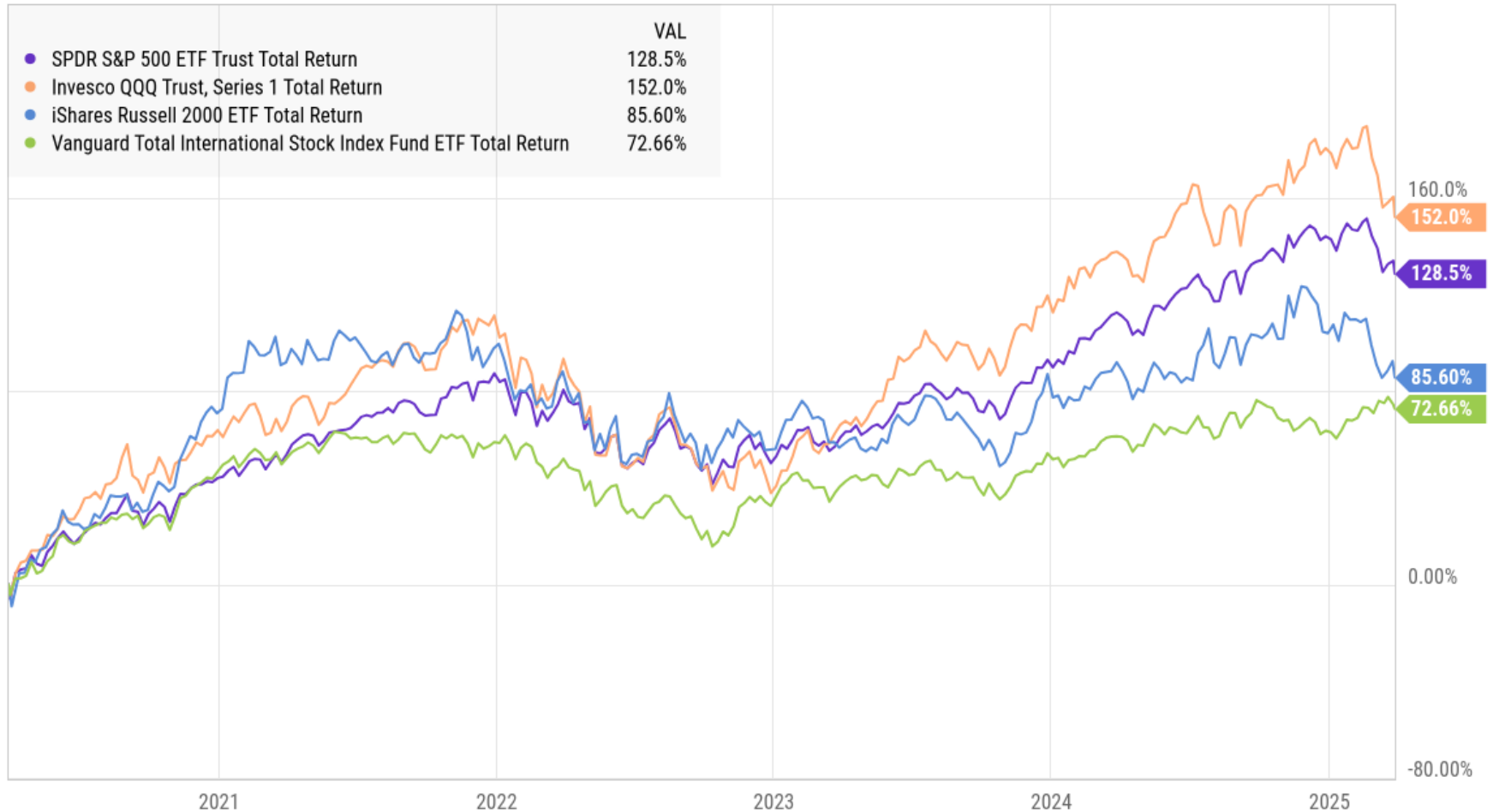
Beneath The Surface– Sector Performance

7/11 Sectors Are Either Flat Or Positive YTD!



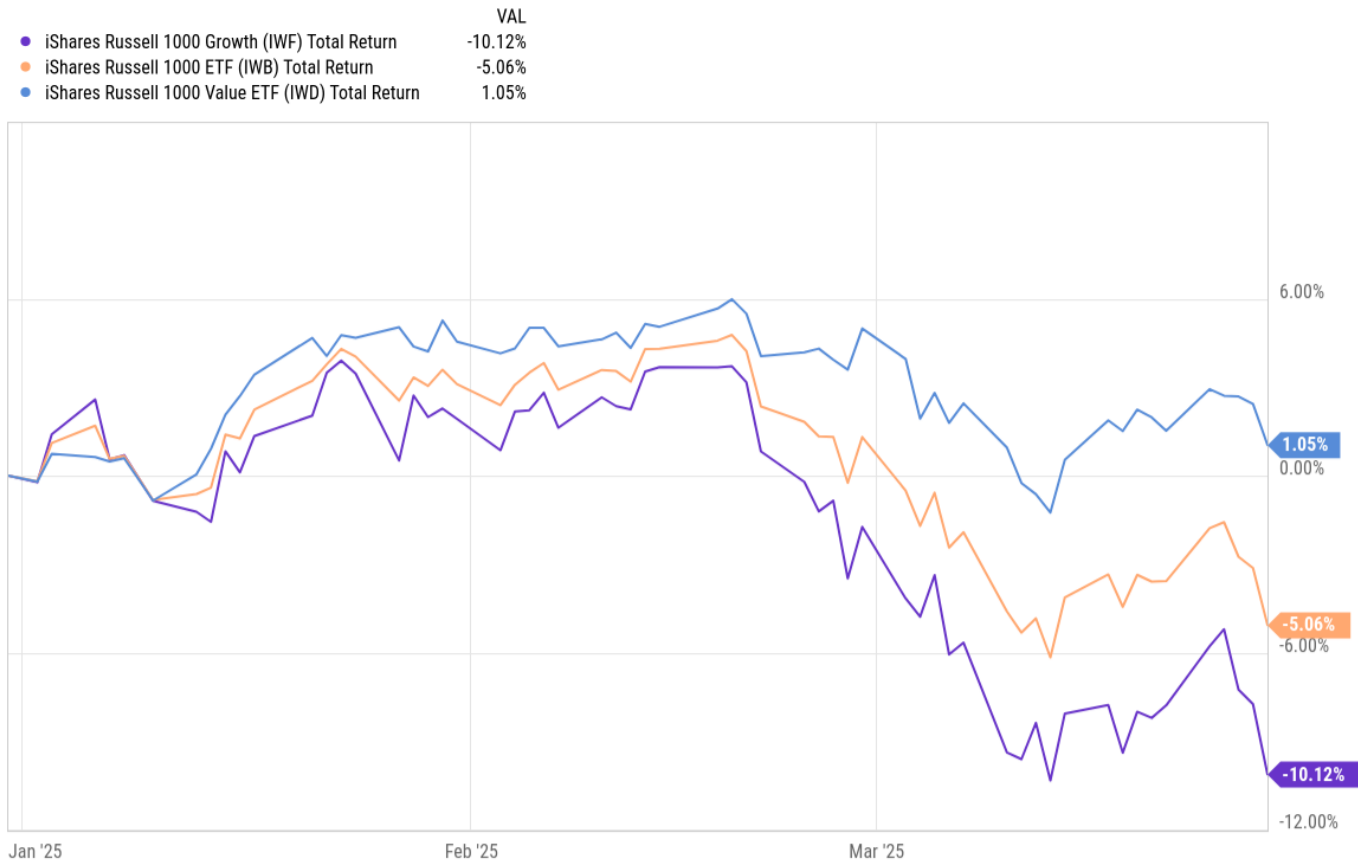
Source: Charles Schwab, Bloomberg, as of 04/02/2025

Level Setting - Five-Year Cumulative Performance



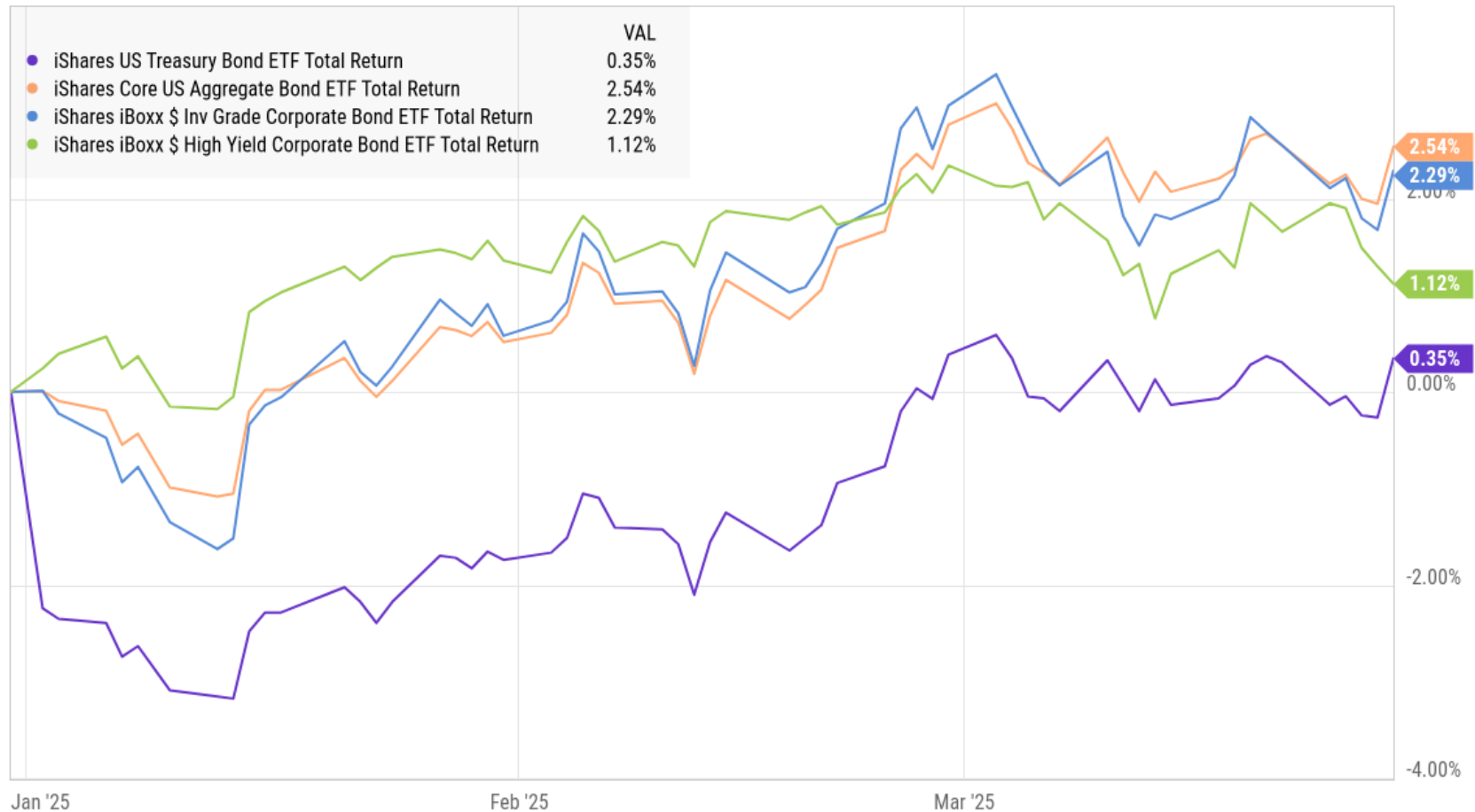
Source: YCharts, as of 03/31/2025

Style Performance – Growth vs. Value



Source: YCharts, as of 03/31/2025

Bonds Are Behaving Well

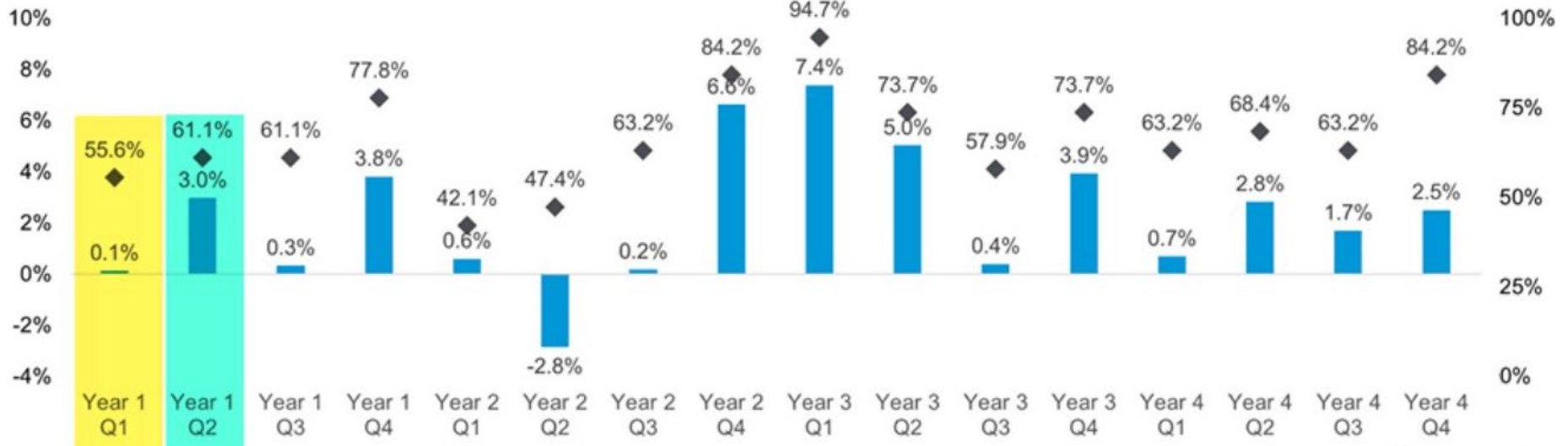


Source: YCharts, as of 03/31/2025

First Quarter Of A New President Brings Weakness

Good Riddance To One Of The Worst Quarters

S&P 500 Quarterly Performance By Presidential Cycle (1950 - 2024)

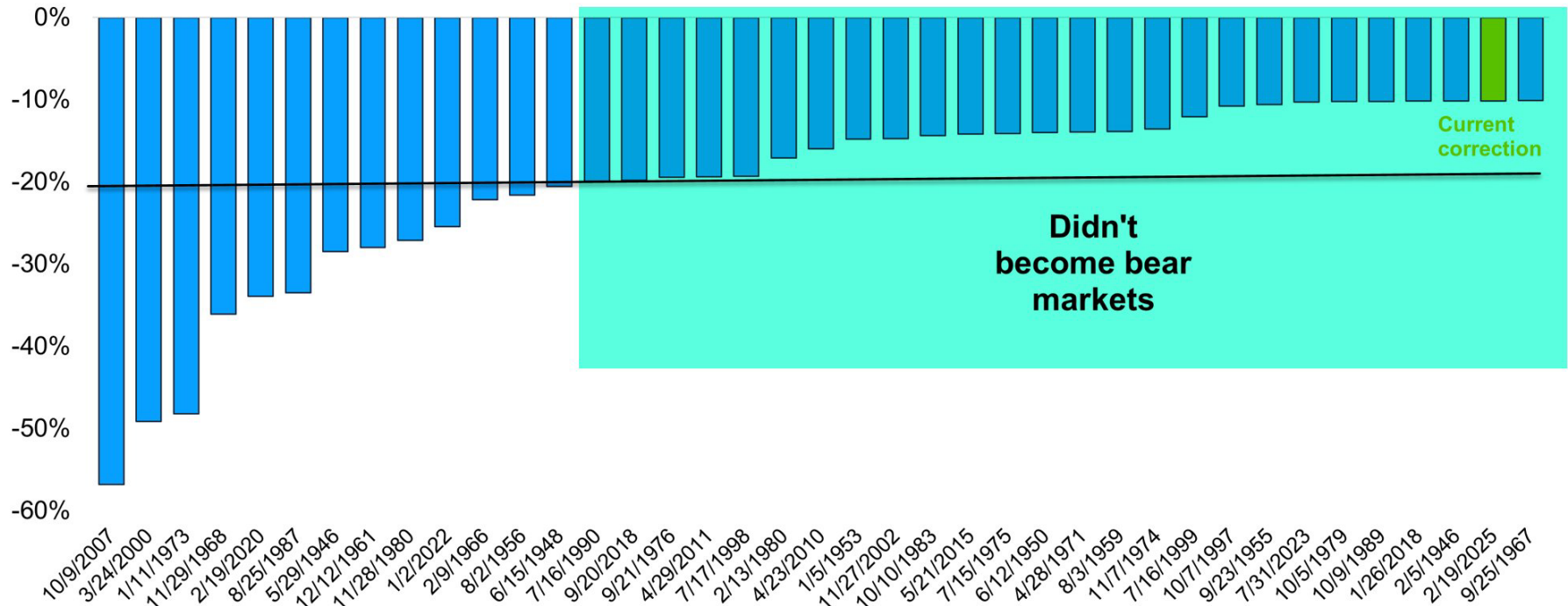


Source: Carson Investment Research, FactSet, as of 02/02/2025

Stock Market Corrections Are Healthy

All Bears Start With A Correction, But Not All Corrections Turn Into A Bear

13 Of The Previous 39 Corrections Turned Into Bear Markets

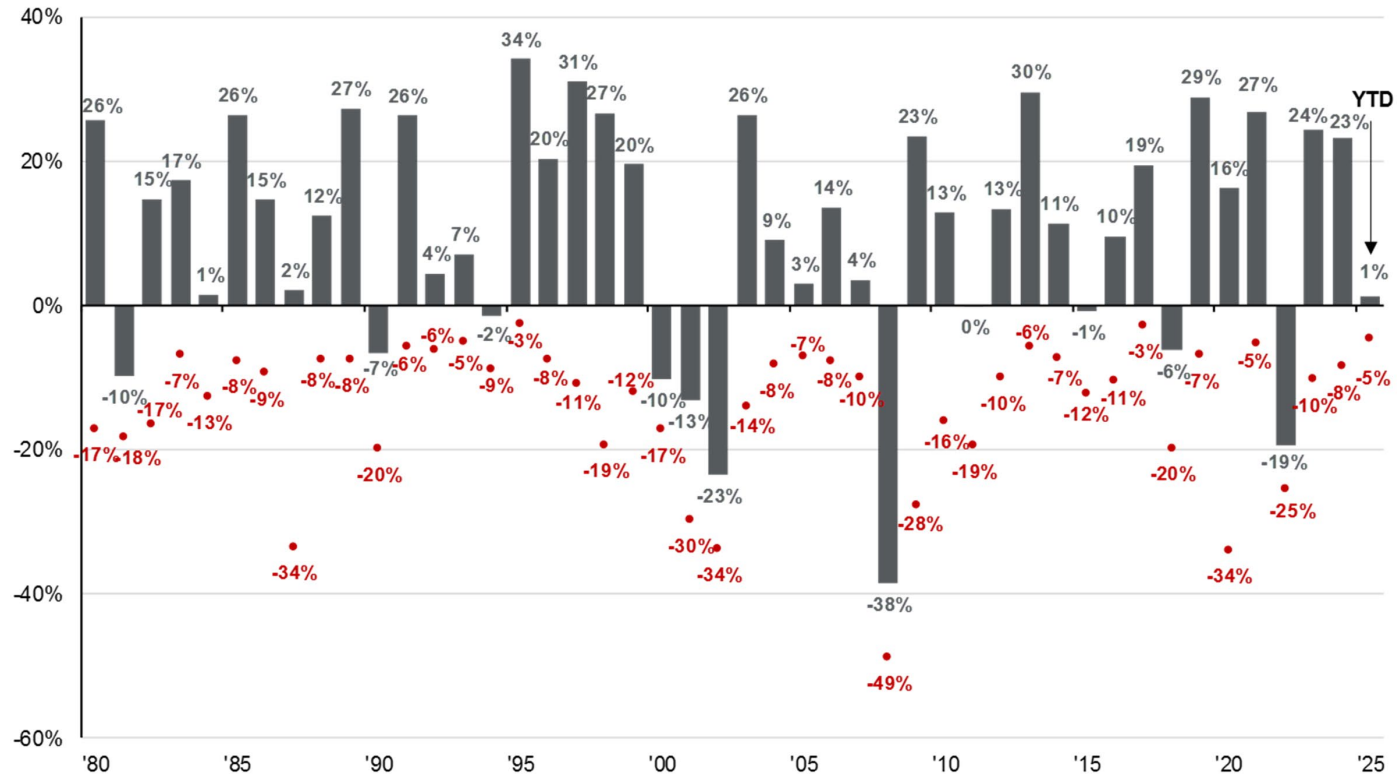


Source: Carson Investment Research, FactSet, as of 03/20/2025

Investing Is A Journey- “Oh, The Places You’ll Go”

S&P intra-year declines vs. calendar year returns

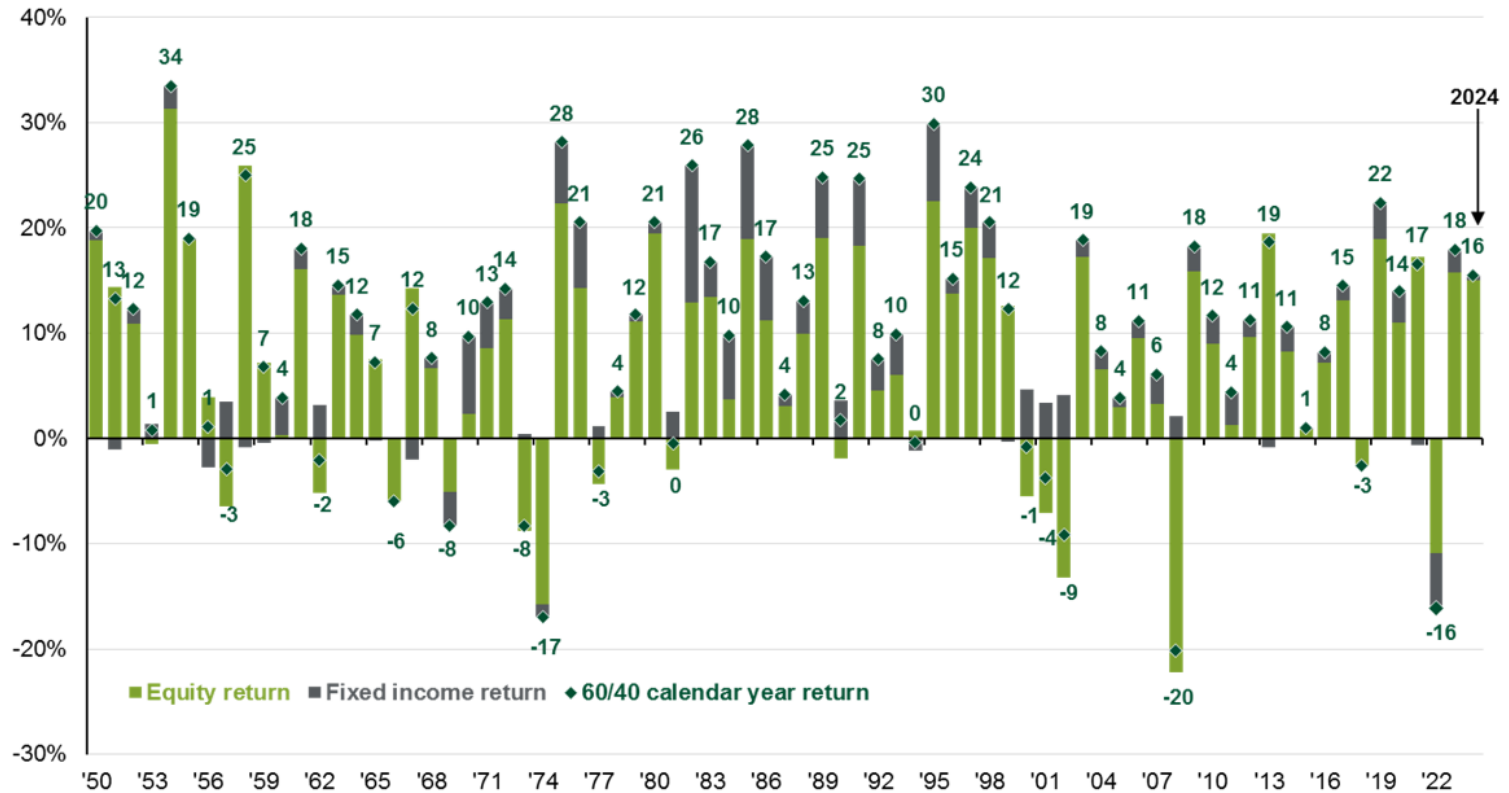
Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



Source: J.P. Morgan Asset Management, Guide To The Markets, Bloomberg, FactSet, Ibbotson/Stratgas, Standard & Poor's, as of 03/31/2025

The 60/40 Portfolio – “Oh, The Places You Won’t Go”

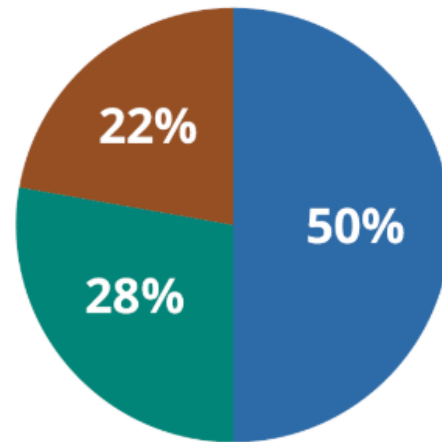
Total returns in percent, 1950–present



Source: J.P. Morgan Asset Management, Guide To The Markets, Bloomberg, FactSet, Ibbotson/Stratgas, Standard & Poor's, as of 03/31/2025

The Best Days Happen During Volatile Times

S&P 500 Index Best Days: 1995–2024



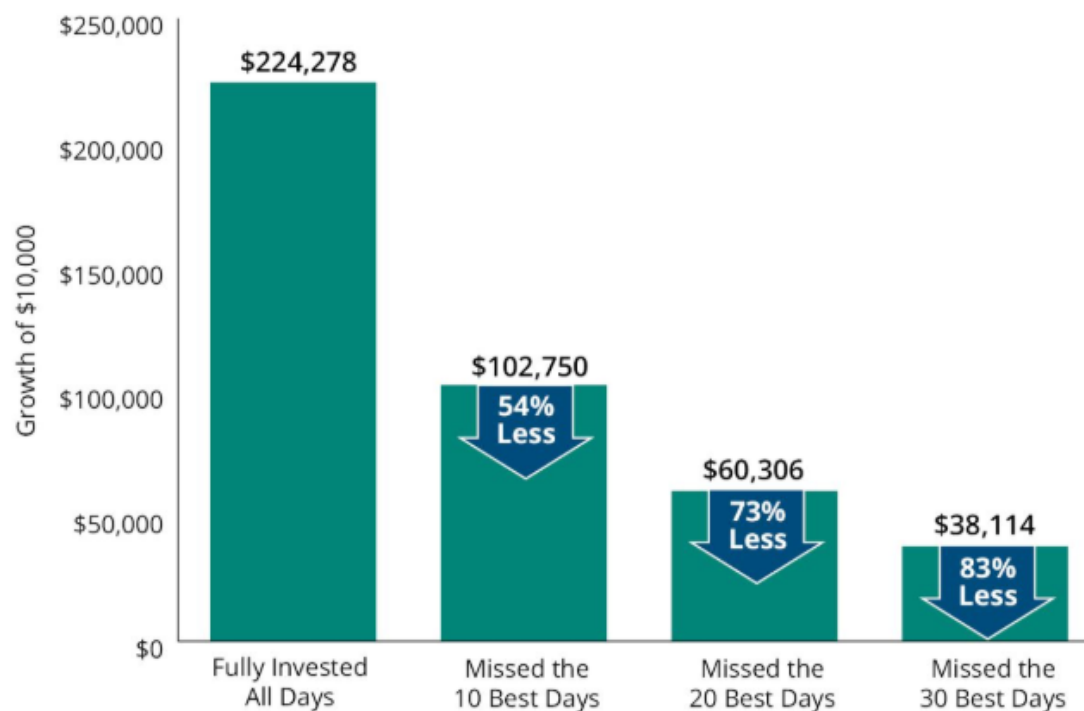
50 Best Days

- During a Bear Market
- During the First Two Months of a Bull Market
- During the Rest of a Bull Market

Source: Hartford Funds, as of 01/28/2025

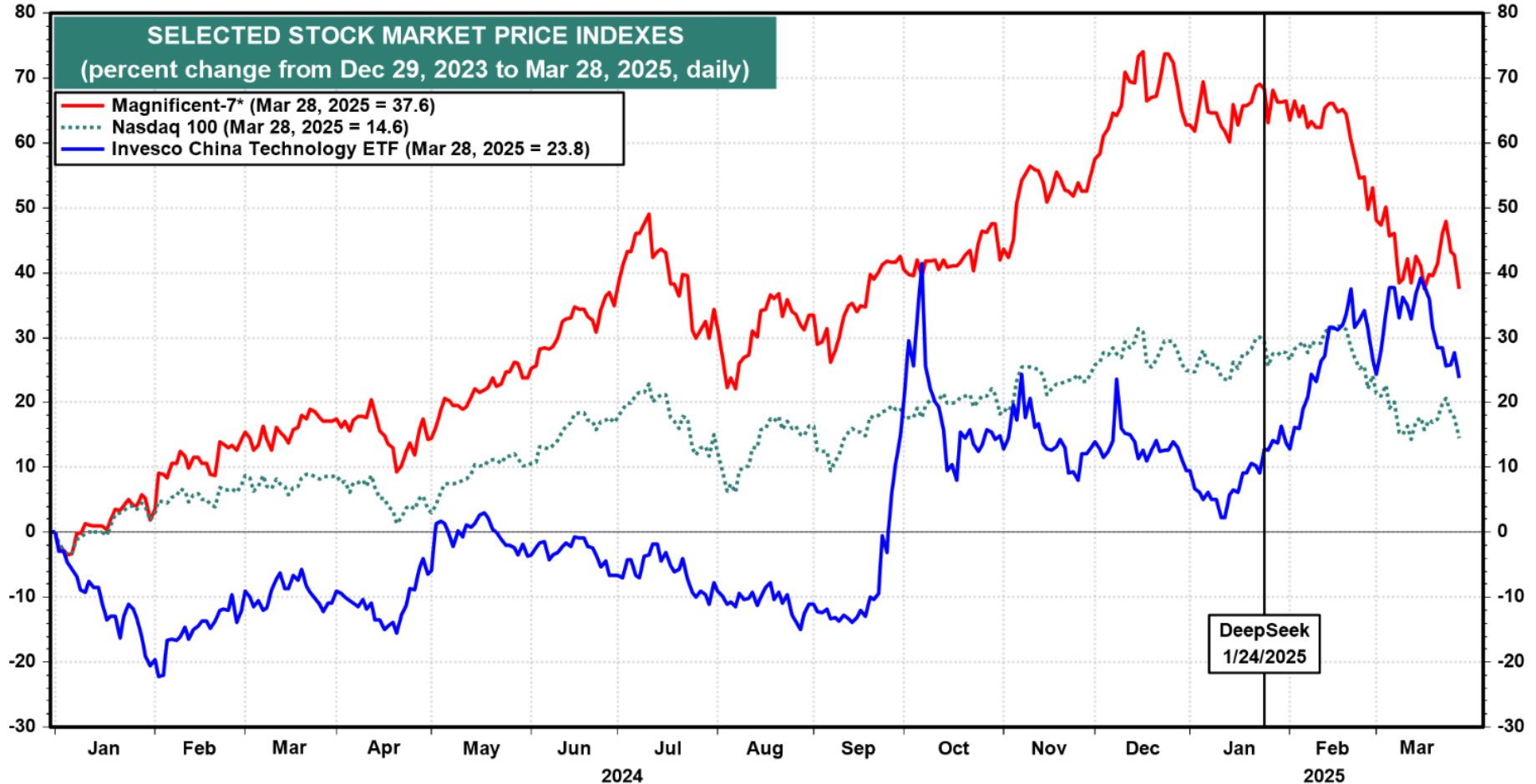
Stay The Course – Missing The Best Days Can Be Costly

S&P 500 Index Average Annual Total Returns: 1995–2024



Source: Hartford Funds, as of 01/28/2025

Was It Tariffs Or DeepSeek? - Both!



Source: Yardeni Research, as of 03/30/2025

Tariffs – Fine Print

1. USMCA goods will be exempt
2. They also won't stack on top of existing duties by sector
3. China, which was already slapped with a **20% tariff for its role in fentanyl trade**, will be levied an additional 34% — half of the 67% tariff it imposes on the US — bringing its new rate to 54%.
4. About 60 countries will see tariffs higher than 10%. The baseline 10% tariff goes into effect on Saturday, one minute after midnight, then any higher tariffs will go into effect on April 9.
5. The new tariffs won't add on to tariffs previously announced on steel, aluminum and cars.
6. The 25% tariff on goods from Mexico and Canada that don't comply with the United States-Mexico-Canada Agreement(USMCA) will remain in place until Trump determines that issues around fentanyl and illegal immigration have been resolved. Whenever that happens, Canada and Mexico will then default to the administration's current trade approach for other countries.
7. **Some goods will not be subject to the Reciprocal Tariff.** These include: (1) **articles subject to 50 USC 1702(b)**; (2) steel/aluminum articles and autos/auto parts already subject to Section 232 tariffs; (3) copper, pharmaceuticals, semiconductors, and lumber articles; (4) **all articles that may become subject to future Section 232 tariffs**; (5) bullion; and (6) energy and other certain minerals that are not available in the United States.

The United States-Mexico-Canada Agreement (USMCA) facilitates trade among the U.S., Mexico, and Canada by eliminating tariffs on a wide array of goods, provided they meet specific rules of origin. While the agreement encompasses numerous products, here are some key categories:

1. **Automotive Products**
 - Vehicles: Cars, trucks, and motorcycles that comply with regional value content requirements.
 - Parts: Engines, transmissions, and other components produced within member countries.
2. **Agricultural Products**
 - Dairy: Milk, cheese, and yogurt with adjusted market access provisions.
 - Poultry and Eggs: Expanded quotas for chicken, turkey, and egg products.
 - Fruits and Vegetables: Tariff-free access for a variety of produce grown within the member countries.
3. **Textiles and Apparel**
 - Clothing and fabrics that meet yarn-forward rules of origin, ensuring production stages occur within USMCA countries.
4. **Industrial Goods**
 - Machinery: Equipment used in manufacturing and construction.
 - Electronics: Consumer electronics and components produced regionally.
5. **Pharmaceuticals and Medical Devices**
 - Medicines and health-related equipment manufactured within the member countries.
- For a comprehensive and detailed list of goods and their specific tariff classifications under the USMCA, you can refer to the official tariff schedules provided by each country:
 - U.S. Tariff Schedule
 - Mexico Tariff Schedule
 - Canada Tariff Schedule

These documents offer in-depth information on product-specific rules and tariff commitments essential for businesses and individuals engaged in trade within North America.

Note: Recent developments, such as the announcement of new tariffs on April 2, 2025, may affect certain goods. It's advisable to consult the latest trade notices and legal advisors to understand how these changes might impact specific products.

Table: What is and isn't subject to IEEPA powers under 50 USC § 1702			
Category	Example Activities	Subject to IEEPA (§ 1702(a))?	Exempted by § 1702(b)?
Personal communications	Phone calls, letters, DMs (non-commercial)	✗ Not subject	✓ Yes
Informational materials	Books, newspapers, blogs, videos, music, artwork	✗ Not subject	✓ Yes
Travel-related transactions	Booking flights, hotels, meals abroad	✗ Not subject	✓ Yes
Humanitarian donations	Sending food, clothing, medicine to disaster zones	✗ Not subject	✓ Yes
U.S. government official business	Diplomatic missions, military operations, federal aid	✗ Not subject	✓ Yes
Business transactions (non-exempt)	Selling goods to sanctioned entity; tech transfers	✓ Subject	✗ No
Financial transfers	Banking, crypto, wire transfers to/from sanctioned orgs	✓ Subject	✗ No
Services to blocked persons	Legal, marketing, consulting for sanctioned individuals	✓ Subject	✗ No
Technology exports (non-public)	Proprietary software, defense tech	✓ Subject	✗ No

- Articles That May Become Subject to Future Section 232 Tariffs
- While no one can predict with certainty, here are categories of goods that are frequently discussed or investigated — or that have strategic/national security implications — and could be targets for future 232 actions:
1. **Critical Minerals and Rare Earths**
 - Lithium, cobalt, nickel, graphite, rare earth elements
 - Used in: EV batteries, magnets, defense tech, semiconductors
 - Countries of concern: China dominates supply chains
2. **Semiconductors and Microelectronics**
 - Chips, wafers, substrates, photolithography equipment
 - National security: Crucial for defense, AI, telecom
3. **Battery Components**
 - Lithium-ion cells, anodes, cathodes, battery packs
 - Growing concern over reliance on Chinese production
4. **Electric Vehicles (EVs) and Components**
 - Whole EVs, motors, drive units, control systems
 - Strategic tech race + manufacturing capacity competition
5. **Medical Supplies / Pharmaceuticals**
 - APIs (active pharmaceutical ingredients), PPE, syringes
 - Post-COVID push for domestic sourcing
6. **Green Energy Equipment**
 - Solar panels, wind turbine parts, electrolyzers
 - Tariffs might be considered to reduce reliance on China or support U.S. manufacturing
7. **Shipbuilding & Maritime Equipment**
 - Commercial vessels, marine engines, parts
 - Possible strategic security issue tied to China and global naval competition
8. **Drones and Unmanned Aerial Systems**
 - Civilian drones, military-capable platforms
 - National security risk tied to surveillance and data access

Source: Whitehouse.gov, as of 04/02/2025

Tariffs – Fuzzy Math (Trade Deficit Expressed As A %)

Reciprocal Tariffs		
Country	Tariffs Charged to the U.S.A. <small>Including Customs Duties and Trade Barriers</small>	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

Reciprocal Tariffs		
Country	Tariffs Charged to the U.S.A. <small>Including Customs Duties and Trade Barriers</small>	U.S.A. Discounted Reciprocal Tariffs
Peru	10%	10%
Nicaragua	36%	18%
Norway	30%	15%
Costa Rica	17%	10%
Jordan	40%	20%
Dominican Republic	10%	10%
United Arab Emirates	10%	10%
New Zealand	20%	10%
Argentina	10%	10%
Ecuador	12%	10%
Guatemala	10%	10%
Honduras	10%	10%
Madagascar	93%	47%
Myanmar (Burma)	88%	44%
Tunisia	55%	28%
Kazakhstan	54%	27%
Serbia	74%	37%
Egypt	10%	10%
Saudi Arabia	10%	10%
El Salvador	10%	10%
Côte d'Ivoire	41%	21%
Laos	95%	48%
Botswana	74%	37%
Trinidad and Tobago	12%	10%
Morocco	10%	10%

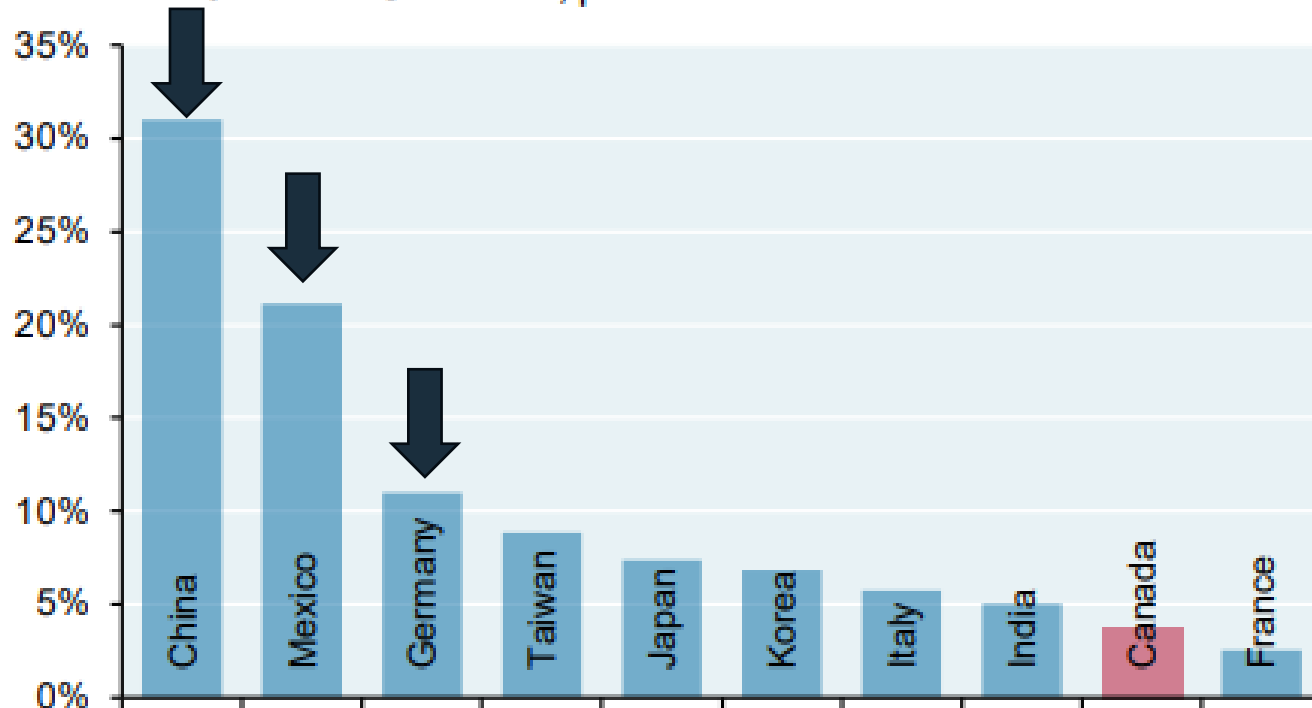
Source: Whitehouse.gov, as of 04/02/2025

Tariffs – Trade Deficits

Top 3 Countries Account For Over 50% Of U.S. Trade Deficit

Contribution to the US trade deficit by country

Share of 2024 total US deficit, percent



Source: J.P. Morgan Asset Management, Michael Cembelast, Eye On The Market, Census Bureau, TD Economics, as of 01/31/2025

The Fed's Latest Projections – Sleight Of Hand

Percent

Variable	Median ¹			
	2025	2026	2027	Longer run
Change in real GDP	1.7	1.8	1.8	1.8
December projection	2.1	2.0	1.9	1.8
Unemployment rate	4.4	4.3	4.3	4.2
December projection	4.3	4.3	4.3	4.2
PCE inflation	2.7	2.2	2.0	2.0
December projection	2.5	2.1	2.0	2.0
Core PCE inflation ⁴	2.8	2.2	2.0	
December projection	2.5	2.2	2.0	
Memo: Projected appropriate policy path				
Federal funds rate	3.9	3.4	3.1	3.0
December projection	3.9	3.4	3.1	3.0



Sleight of Hand!

Source: The Federal Reserve, as of 03/19/2025

Fed Speak – The Hidden Words Of Stimulus (QT To QE)

For release at 2:00 p.m. EST ~~March 19~~January 29, 2025

Recent indicators suggest that economic activity has continued to expand at a solid pace. The unemployment rate has stabilized at a low level in recent months, and labor market conditions remain solid. Inflation remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. ~~Uncertainty around~~The Committee judges that the risks to achieving its employment and inflation goals are roughly in balance. The economic outlook has increased. The ~~is uncertain, and the~~ Committee is attentive to the risks to both sides of its dual mandate.

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. Beginning in April, the Committee will slow the pace of decline of its securities holdings by reducing the monthly redemption cap on Treasury securities from \$25 billion to \$5 billion. The Committee will maintain the monthly redemption cap on agency debt and agency mortgage-backed securities at \$35 billion. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

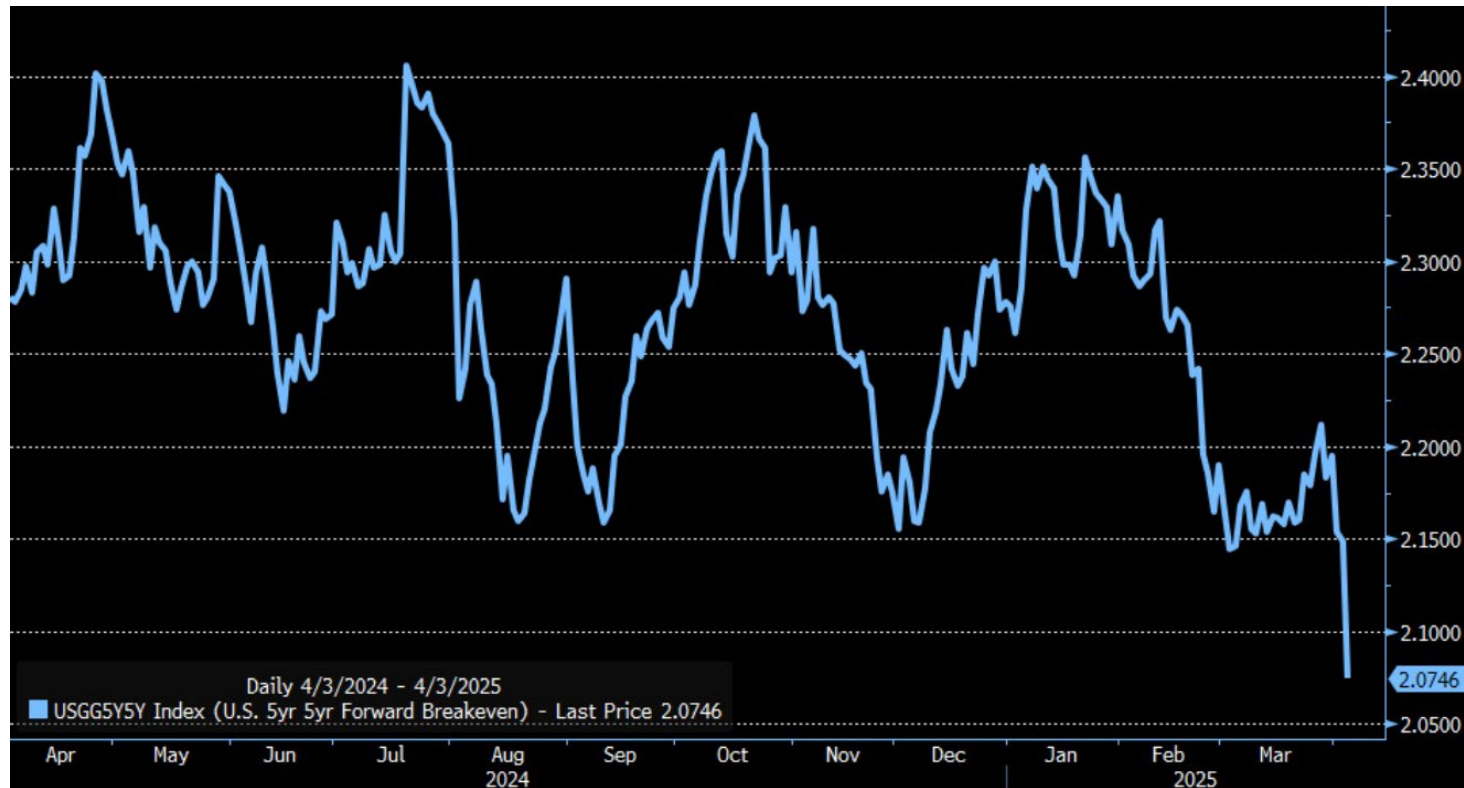
In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Susan M. Collins; Lisa D. Cook; Austan D. Goolsbee; Philip N. Jefferson; Adriana D. Kugler; Alberto G. Musalem; and Jeffrey R. Schmid. Voting against this action was ; and Christopher J. Waller, who supported no change for the federal funds target range but preferred to continue the current pace of decline in securities holdings.

This Is Easing

Source: The Federal Reserve, as of 03/19/2025

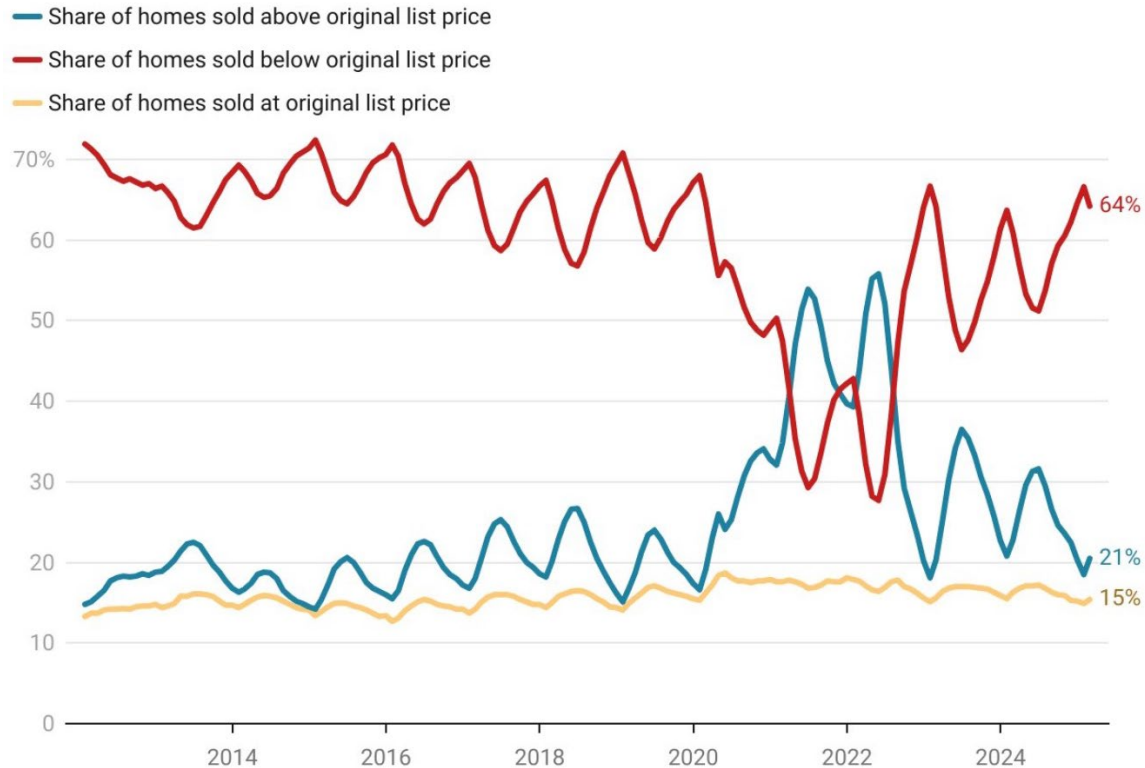
Lower Inflation - According To The Bond Market



Source: Bloomberg 5 Year TIPS Spread, as of 04/03/2025

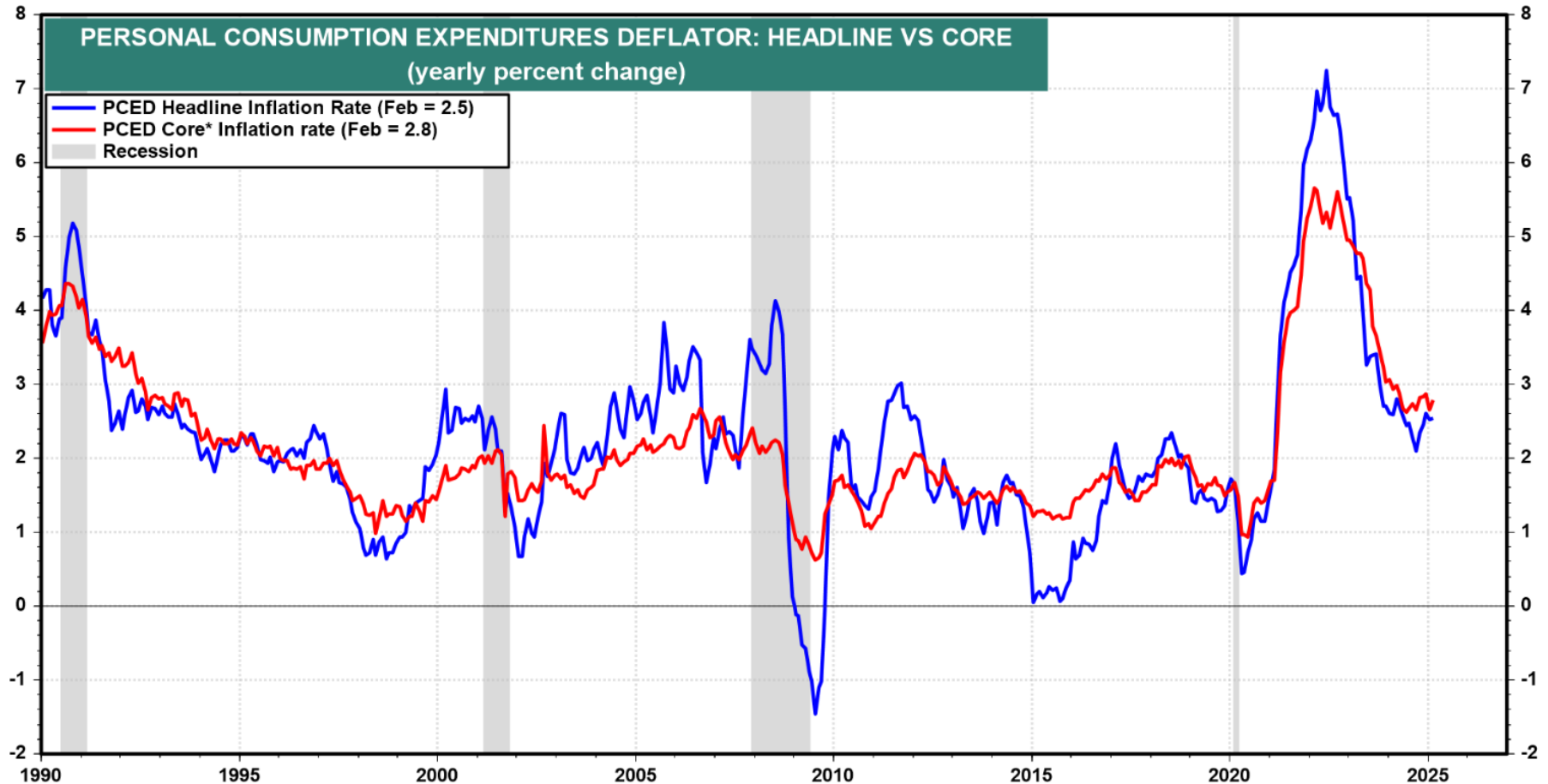
Housing Deflation – More Coming Soon

Nearly 2 in 3 Homes Sell for Less Than Original List Price



Source: Redfin, Datawrapper, as of 03/31/2025

PCE – The Fed's Measure Of Inflation



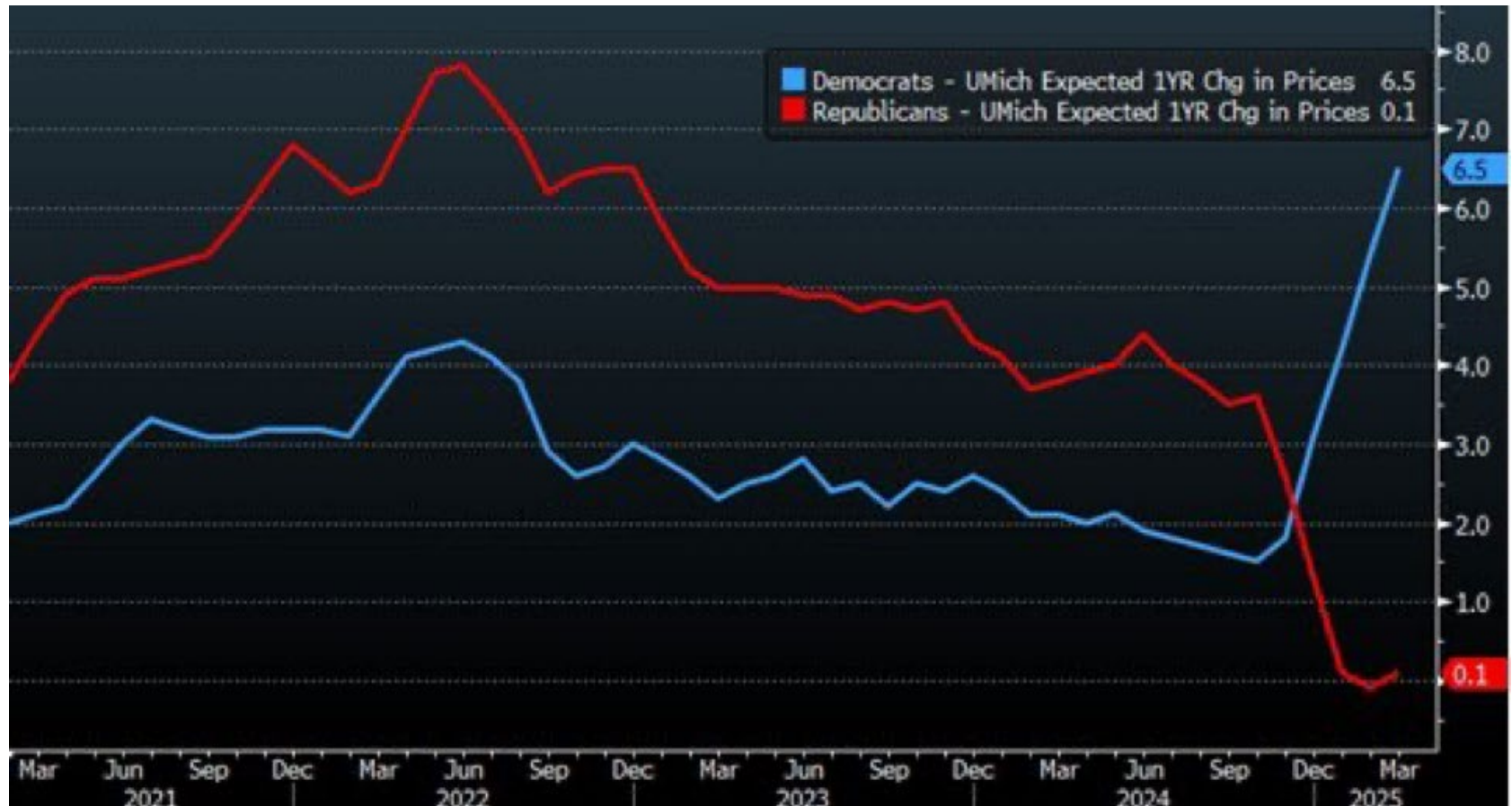
Source: Yardeni Resesarch, as of 02/28/2025

Data Monitor – What Matters Most?

	Indicator	Most Recent	6m ago	1yr ago	Assessment
Soft Data	Composite PMI (Index)	51.6	54.6	52.5	Weakening
	Consumer Sentiment (Index)	57.9	70.1	79.4	Weakening
	Homebuilders' Sentiment (Index)	39.0	41.0	51.0	Stable (but weak)
	Policy Uncertainty (Index)	313.3	99.9	123.9	Rising sharply
Hard Data	Private Sector Jobs Growth (YoY, converted to monthly pace in thousands)	129.7	111.4	125.7	Stable
	Unemployment Rate (%)	4.1%	4.2%	3.9%	Stable
	Initial Claims (SOS Rule)	1.2%	0.0%	13.5%	Stable
	Real Wage Growth (YoY%)	1.2%	1.4%	1.0%	Stable
	Retail Sales (YoY%)	5.2%	4.4%	3.4%	Stable and strong
	Job Openings (YoY)	-9.5	-16.5	-15.7	Declining (but more slowly)
	Manufacturing New Orders (YoY%)	2.1%	0.5%	-0.3%	Accelerating
	Real Residential Construction Spending (YoY%)	1.4%	2.7%	6.9%	Stable (but weak)
	Real GDP Tracker (YoY%)	2.3%	2.4%	1.6%	Stable

Source: Bloomberg Finance, Haver Analytics, J.P. Morgan Wealth Management, as of 03/20/2025

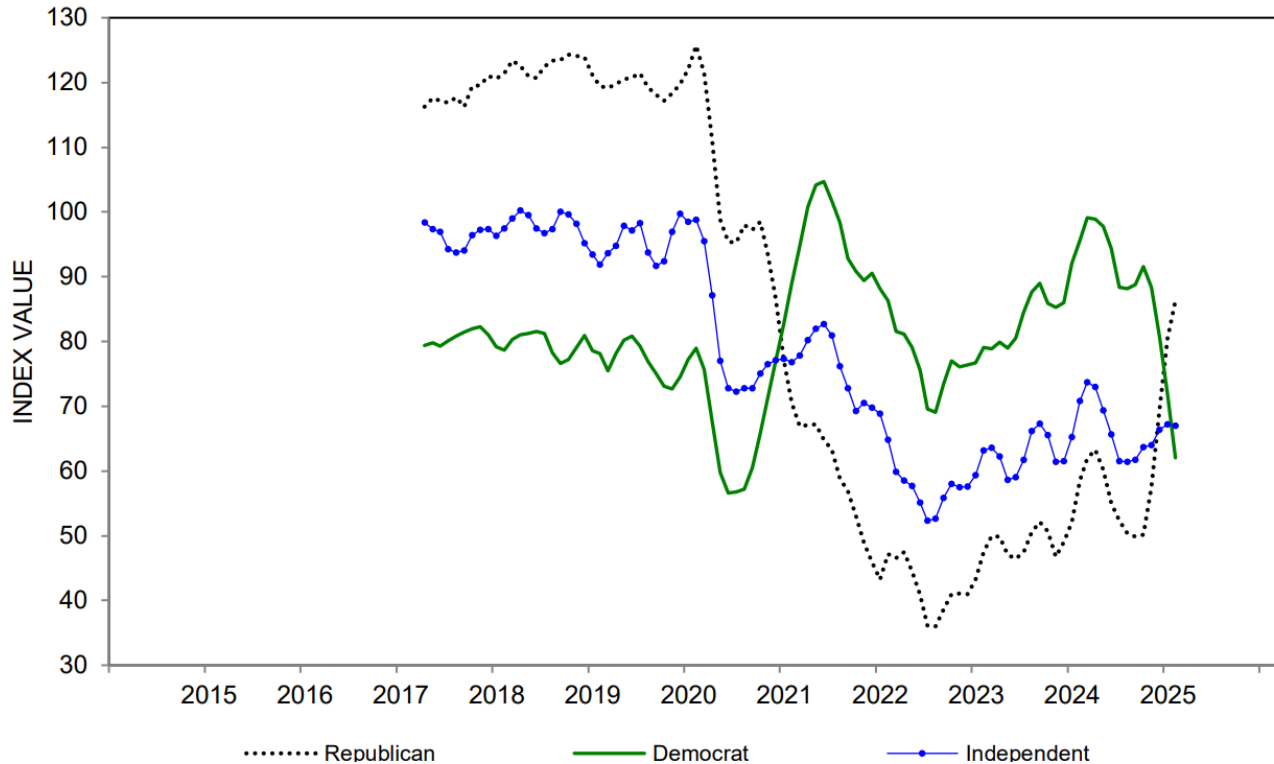
Consumer Inflation Expectations – Depends On Who You Ask



Source: Bloomberg, as of 03/28/2025

Consumer Confidence – Depends On Who You Ask

**CHART 5B: INDEX OF CONSUMER SENTIMENT BY POLITICAL PARTY
(THREE MONTH MOVING AVERAGES)**



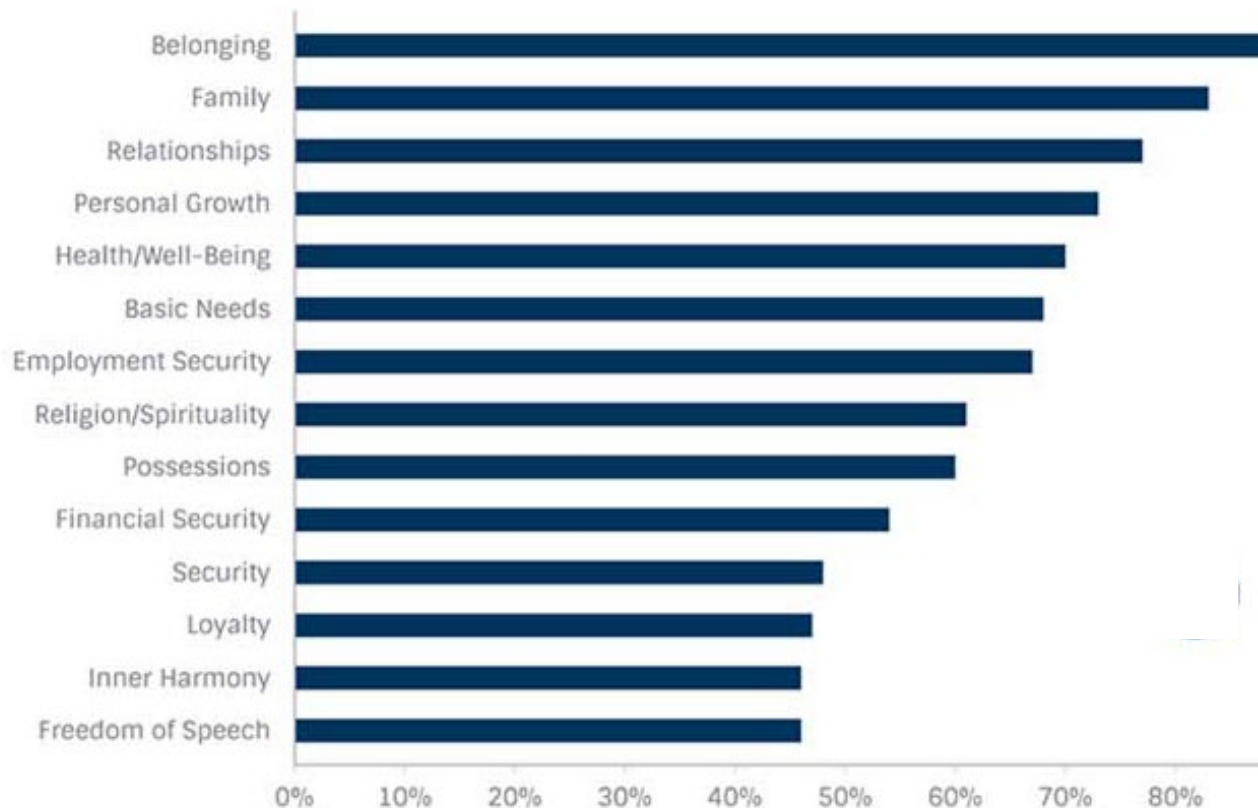
Democrats: 62
Republicans: 86.3
Independents: 67

Historical Average: 84.4

Source: University of Michigan, as of 03/28/2025

Avoid The Noise – We Are More United Than You Think

USA VALUES RANKING – The Top Fifteen



Source: ValueGraphics, USA Values Ranking, Newswire, as of 09/30/2024

Disclaimer

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